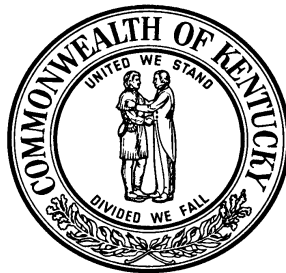


**REPORT OF THE AUDIT OF THE
FORMER GREEN COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
May 1, 2009 Through April 15, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FORMER GREEN COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
May 1, 2009 Through April 15, 2010**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for former Green County Sheriff for the period May 1, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff collected taxes of \$3,152,959 for the districts for 2009 taxes, retaining commissions of \$129,258 to operate the Sheriff's office. The former Sheriff distributed taxes of \$3,019,284 to the districts for 2009 taxes. Taxes of \$59 are due to the districts from the former Sheriff and refunds of \$40 are due to the former Sheriff from the taxing districts.

Report Comments:

- 2009-01 The Former Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- 2009-02 The Former Sheriff Should Deposit Funds Intact On A Daily Basis

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Misty N. Edwards, Green County Judge/Executive

Honorable Tim Stumph, Former Green County Sheriff

Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the Green County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010. This tax settlement is the responsibility of the former Green County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Green County Sheriff's taxes charged, credited, and paid for the period May 1, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2011 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Misty N. Edwards, Green County Judge/Executive
Honorable Tim Stumph, Former Green County Sheriff
Members of the Green County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The Former Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- 2009-02 The Former Sheriff Should Deposit Funds Intact On A Daily Basis

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 3, 2011

GREEN COUNTY
TIM STUMPH, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period May 1, 2009 Through April 15, 2010

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 316,837	\$ 675,918	\$ 1,324,678	\$ 368,134
Tangible Personal Property	11,327	34,638	47,357	35,437
Franchise Taxes	50,114	141,696	207,246	
Additional Billings	15	36	61	274
Oil and Gas Property Taxes	8,088	17,254	33,814	9,397
Limestone, Sand and Mineral Reserves	191	407	798	222
Penalties	3,076	6,558	12,832	3,638
Adjusted to Sheriff's Receipt	998	(432)	(850)	(251)
Gross Chargeable to Sheriff	390,646	876,075	1,625,936	416,851
<u>Credits</u>				
Exonerations	2,439	5,202	10,194	2,833
Discounts	4,557	9,856	18,972	5,606
Delinquents:				
Real Estate	4,176	8,889	17,421	4,842
Tangible Personal Property	471	1,442	1,971	1,767
Oil Property	6,556	13,987	27,412	7,618
Limestone, Sand, Mineral Property	40	85	167	46
Total Credits	18,239	39,461	76,137	22,712
Taxes Collected	372,407	836,614	1,549,799	394,139
Less: Commissions *	15,827	34,688	61,992	16,751
Taxes Due	356,580	801,926	1,487,807	377,388
Taxes Paid	356,027	800,802	1,485,568	376,887
Refunds (Current and Prior Year)	545	1,107	2,205	541
Due Districts or (Refund Due Sheriff) as of Completion of Audit	\$ 8	\$ 17	\$ 34	\$ (40)

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
TIM STUMPH, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES
For The Period May 1, 2009 Through April 15, 2010
(Continued)

* Commissions:

4.25% on \$ 1,255,850
4% on \$ 1,897,109

** Special Taxing Districts:

Library District	\$	3
Health District		3
Extension District		3
Ambulance District		<u>8</u>
Due Districts	\$	<u><u>17</u></u>

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Green County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the former Sheriff's deposits may not be returned. The former Green County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 30, 2009 through April 15, 2010.

B. Oil, Gas, and Limestone Taxes

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 4, 2009 through April 15, 2010.

Note 4. Interest Income

The former Green County Sheriff earned \$1,443 as interest income on 2009 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The former Green County Sheriff collected \$20,107 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Misty N. Edwards, Green County Judge/Executive
Honorable Tim Stumph, Former Green County Sheriff
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Green County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, and have issued our report thereon dated February 3, 2011. The former Sheriff prepared his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Green County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-01 and 2009-02 to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the former Green County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

February 3, 2011

COMMENTS AND RECOMMENDATIONS

GREEN COUNTY
TIM STUMPH, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period May 1, 2009 Through April 15, 2010

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2009-01 The Former Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements

During our review of internal controls, we noted the former Sheriff's office had a lack of segregation of duties over receipts and disbursements. The former Sheriff collected payments from customers and prepared the daily tax collection journals, the monthly tax reports, and the deposits. The former Sheriff also took the deposits to the bank, prepared checks for payment to districts, and signed the checks. No oversight was performed over any of these functions.

Segregation of duties over collecting taxes, preparing daily deposits, preparing monthly reports, and preparing disbursements is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

The former Sheriff should have separated the duties of collecting taxes, preparing daily deposits, preparing and mailing disbursements, and preparing financial reports. If these duties could not be segregated due to a limited number of staff or a limited budget, then strong oversight should have been provided to the employee responsible for these duties. This oversight would not be effective over these duties performed by the former Sheriff. The former Sheriff should have delegated these duties to other employees and documented his oversight.

Former Sheriff's Response: No response.

2009-02 The Former Sheriff Should Have Deposited Funds Intact On A Daily Basis

During our review of receipts, it was noted that the former Sheriff did not prepare and print daily tax collection reports and make daily deposits timely. Those reports can include several days of tax collections. The former Sheriff was making his deposits and posting to receipts ledger based upon the day the tax collection report is printed. This is non-compliance with KRS 68.210 and 109 KAR 15:020. KRS 68.210 states the State Local Finance Officer "shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, under "Handling Public Funds," states a minimum requirement of "Daily deposits intact into a federally insured banking institution."

Former Sheriff's Response: No response.

